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5
6 UNITED STATES BANKRUPTCY COURT
7 FOR THE NORTHERN DISTRICT OF CALIFORNIA

8 In re:) Case No. 03-56788-ASW
9)
TELEPATH CORPORATION,) CHAPTER 11
10)
11 Debtor.)
_____)

12
13 **AMENDED DISCLOSURE STATEMENT ON**
PLAN OF REORGANIZATION

14 TELEPATH CORPORATION, the Debtor herein ("Debtor"), has prepared, and is
15 disseminating to its creditors, this AMENDED DISCLOSURE STATEMENT for the purpose of
16 soliciting acceptances to its PLAN OF REORGANIZATION dated January 10, 2009 (the
17 "Plan"). This Disclosure Statement is being provided to you, the holders of claims against Debtor
18 (hereinafter "claimants"), to provide you with adequate information to enable you to make
19 informed judgments before exercising your right to vote for or against acceptance of the Plan.

20
21 **THIS DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE**
UNITED STATES BANKRUPTCY COURT AS CONTAINING ADEQUATE
22 **INFORMATION. DISTRIBUTION OF THIS DISCLOSURE STATEMENT**
23 **HAS BEEN AUTHORIZED BY THE COURT.**

1 As a claimant, your acceptance of the Plan is important. In order for the Plan to be
2 confirmed by the Bankruptcy Court, the holders of two-thirds in amount and more than one-half
3 in number of claims in each Class must vote for acceptance. An acceptance or rejection of the
4 Plan may be voted by completing the accompanying Ballot and returning it to: *Scott L. Goodsell,*
5 *Campeau Goodsell Smith, 440 N. First Street, Suite 100, San Jose, CA 95112.*

6 **BACKGROUND AND EVENTS LEADING TO PLAN OF REORGANIZATION**

7 In July 1978, founder Les Ettinger incorporated Telepath Corporation. The firm
8 purchased and refurbished used 2-way radio equipment and resold these products to users
9 worldwide. Telepath established an excellent reputation for product quality and delivery.

10 In 1986, Les Ettinger purchased a 10,000 sf facility and leased the premises to
11 Telepath, which provided Telepath with adequate space to accept a Motorola dealership contract.
12 By 1990, Telepath's business volume had doubled. Thereafter, by 1995, Telepath's dealership
13 contract with Motorola was expanded to include Motorola's full product line; Telepath also
14 obtained full dealership contracts with other manufacturers, including Kenwood, Icom,
15 Vertex/Standard, Realm, Uniden and Maxon.

16 In 1999, Les Ettinger retired from Telepath's business operations, and his son Aaron
17 Ettinger became the business manager. At that time, Telepath had about 40 employees and had
18 become one of Motorola's top North American dealerships; Telepath's used equipment business
19 then comprised about 20% of its business revenues.

20 In 2002, Telepath's sales declined, and cashflow suffered. Employees first accepted a
21 20% pay cut, but even this action was insufficient and personnel were subsequently laid off.
22 Telepath became more than a year delinquent on its Motorola obligations and eight months
23 delinquent on its rent due. By 2003, Telepath had reduced staff to 9 employees. In May/June

1 2003, Aaron Ettinger met with Peter Ajlouny and Andy Ajluni ("Ajlouny Parties") concerning
2 possible private financing, and in July 2003, the Ajlouny Parties made a loan to Telepath with an
3 understanding that they would also make a follow-on offer to purchase Telepath. The follow-on
4 purchase offer was not forth-coming, while various bidders were being sent by the Ajlouny Parties
5 to look over Telepath equipment/vehicles, and Telepath's management believed that the Ajlouny
6 Parties were intending to scuttle and dismantle the company. Telepath's management ejected the
7 Ajlouny Parties, who then threatened suit unless Telepath employees agreed to personally provide
8 loan security.

9 In October 2003, Telepath filed its Chapter 11 petition.

10 Since its petition filing, Telepath has reorganized its business operations, has increased
11 its sales volume, and has paid off substantial secured debt to Bank of Walnut Creek totaling about
12 \$145,000, and has negotiated a compromise paying off the Ajlouny Parties (with Court
13 permission) in the sum of \$220,000. Telepath has also improved its on-going relationship with
14 Motorola by repaying in full its delinquent pre-Petition secured debt of approximately \$220,000.

15 During the course of these Chapter 11 proceedings, Telepath has re-established
16 continuing profitability for its business operations, and this Plan has followed. Telepath believes
17 that this Plan will permit it to repay its creditors from proceeds of its operations.

18 **DESCRIPTION OF PLAN**

19 The following description of the Plan is a summary only – all holders of claims and
20 interests against the Debtors in this case should carefully read the actual Plan of Reorganization
21 which accompanies this Disclosure Statement. The significant substantive premises are:

22 Payments to Creditors: Payments to secured and unsecured creditors under Debtors'
23 plan will be as follows:

1 Payments to Unsecured Creditors -- All unsecured creditors are impaired
2 under this Plan. Unsecured creditors are divided into 3 separate classes, based on their varying
3 rights and claims in this case: Class 3a general unsecured creditors consist of all creditors having
4 claims in excess of \$1,000, Class 3b administrative claim creditors consist of all creditors having
5 claims of \$1,000 or less, and Class 3c consists of Motorola alone.

6 *CLASS 3a: General Unsecured Claims.* Claims in Class 3a are impaired under the
7 Plan. Each Class 3a claimant will receive a series of payments totaling 25% of its allowed claim,
8 paid over a period of 4 years, as follows: On the first full calendar month after the Effective Date
9 of the Plan, Telepath will commence to make monthly payments of \$2,300 into an account for the
10 benefit of Class 3a creditors; promptly after the end of each full calendar quarter, the debtor will
11 make a pro rata distribution from such impounded funds to all Class 3a creditors, continuing until
12 each creditor has been paid 25% of its allowed claim. Should a Class 3a claim be objected to by
13 Debtor or any other party with standing to object, the amount of money which would otherwise
14 have been paid to such claimant will be retained by Debtor in the impound account until the
15 Bankruptcy Court makes a final determination of allowability of such claim.

16 Debtor estimates that allowable Class 3a claims will total about \$110,000.

17 *CLASS 3b: Administrative Convenience Claims.* Claims in Class 3b are impaired
18 under the Plan. This Class consists of general unsecured creditors whose claims are \$1,000 or
19 less. IF A CREDITOR WITH A CLAIM OF \$1,000 OR LESS DECLINES TO BE IN THIS
20 CLASS, THAT CREDITOR WILL BE TREATED AS A CLASS 3a CLAIMANT; IF A
21 CREDITOR WHOSE CLAIM EXCEEDS \$1,000 SO DESIRES, IT MAY REDUCE ITS
22 CLAIM TO \$1,000 AND BE TREATED AS A CLASS 3b CLAIMANT. Each Class 3b
23 claimant will receive a single payment totaling 20% of its allowed claim, paid on the Effective

1 Date of the Plan; *this is the only distribution that will be made to this Class*. Should a Class 3b
2 claim be objected to by Debtor or any other party with standing to object, the amount of money
3 which would otherwise have been paid to such claimant will be retained by Debtor in the impound
4 account until the Bankruptcy Court makes a final determination of allowability of such claim.

5 Debtor estimates that allowable Class 3b claims will total about \$20,000.

6 *CLASS 3c: Motorola*. The Class 3c claimant is unimpaired under the Plan. The Debtor
7 is completely current with its revolving trade account with this creditor.

8 Payments to Secured/Administrative Creditors -- There are 3 creditor classes:

9 *CLASS 1a: Les Ettinger Note Claim*. Class 1a is impaired under this Plan. When Les
10 Ettinger retired, he agreed to accept a secured promissory note in the sum of \$1,748,000 in
11 exchange for his equity interest in Telepath. During this case, that security interest may have
12 expired. However, as a compromise to support confirmation of this Chapter 11 plan, this unpaid
13 Class 1a Note claim will be reduced to \$500,000, which sum will be secured by a blanket security
14 interest in all Telepath assets; any payments on such obligation may only be made if Telepath is
15 current on all distributions required to all Class 2 and Class 3 creditors. In addition, Les Ettinger
16 shall receive 1,200,000 new shares of Reorganized Telepath on the Effective Date; no dividend
17 may be distributed on account of such new shares until all Class 2 and Class 3 creditors are paid in
18 full under the provisions of the confirmed Plan.

19 *CLASS 1b: Les Ettinger Rent Claim*. Class 1b is impaired under this Plan. The Class
20 1b claim is a Chapter 11 administrative claim which Les Ettinger has consented to allow to be
21 paid over time pursuant to the Plan Payment Schedule set forth in Exhibit 2. The payment of this
22 claim may be accelerated so long as Telepath is current on all distributions required to all Class 2
23 and Class 3 creditors and Telepath reasonably determines that its finances so permit.

1 *CLASS 1c: Les Ettinger Loan Claim.* Class 1c is impaired under this Plan. The Class
2 1c claim is a Chapter 11 administrative claim which Les Ettinger has consented to allow to be
3 paid over time pursuant to the Plan Payment Schedule set forth in Exhibit 2. The payment of this
4 claim may be accelerated so long as Telepath is current on all distributions required to all Class 2
5 and Class 3 creditors and Telepath reasonably determines that its finances so permit.

6 Treatment of Other Claims and Interests -- Other claims and interests are subject to
7 the following classifications and treatment under the Plan:

8 Classified Priority Claims: Holders of Class 2 Priority Claims are not impaired
9 under the Plan and will receive, on the Effective Date, cash equal to the allowed amount of their
10 claims unless they elect other treatment. Debtors are unaware of any Class 2 priority claims.

11 Unclassified Administrative Claims: Unclassified Allowed Administrative
12 Claims entitled to priority under Code §507(a)(1) will receive cash in the amount of such claims
13 on the Effective Date, unless such claimants elect other treatment. Known administrative claims
14 are as follows:

15 *Les Ettinger.* Les Ettinger is the lessor of the property where Telepath
16 conducts its business. At the Petition date, Telepath owed rent arrearages of about \$87,000 and
17 since filing, Telepath has accrued additional rent arrearages of \$78,000; Telepath has assumed (or
18 assumes as part of Plan confirmation), its lease with Les Ettinger. Although this administrative
19 claim would be entitled to priority payment treatment in either Plan confirmation or any
20 liquidation analysis, Les Ettinger has agreed to treat this administrative claim as a classified claim
21 in Class 1b and to accept payments over time pursuant to Exhibit 2. In addition, Les Ettinger has
22 previously provided post-Petition financing to Telepath since the corporation has been without an
23 operating credit facility. Telepath has borrowed \$178,000 from Les Ettinger with Court approval

1 during the course of this Chapter 11 case. Although this administrative claim would be entitled to
2 priority payment treatment in either Plan confirmation or any liquidation analysis, Les Ettinger has
3 agreed to treat this administrative claim as a classified claim in Class 1c and to accept payments
4 over time pursuant to Exhibit 2.

5 *Law Office of Charles Logan.* Debtor previously retained the Law Offices of Charles
6 Logan as its bankruptcy counsel, and paid a retainer of \$25,000 to that firm. Debtor is informed
7 that said attorneys estimate they are owed \$250,000 – but Debtor has never received any billing
8 statements from said attorneys and cannot confirm these services, and reserves any rights to
9 object to such fees. Fees owed to said law firm can only be paid after Court approval. Said law
10 firm has agreed to accept payments over time in accordance with Exhibit 2.

11 *Miller Morton Caillat & Nevis.* Debtor engaged said law firm as special counsel to
12 seek damages against Microvoice Corporation; Telepath obtained a settlement of \$30,000. Said
13 law firm is owed about \$6,000 for its services; fees owed to said law firm can only be paid after
14 Court approval, but will be paid immediately upon such approval.

15 *Campeau Goodsell Smith.* Debtor has very recently retained the law firm of Campeau
16 Goodsell Smith as its bankruptcy counsel, and paid a retainer of \$20,000 to that firm. There is no
17 sum presently owing to said attorneys. Fees owed to said law firm can only be paid after Court
18 approval, and said law firm will accept payments over time if necessary.

19 *The Siress Group.* Debtor previously retained The Siress Group as its accountants.
20 Siress has filed three interim fee applications totaling \$121,000, and estimates that it will incur
21 fees of about \$20,000 through Plan confirmation. Fees owed to said accounting firm can only be
22 paid after Court approval. Said accounting firm has agreed to accept payments over time in
23 accordance with Exhibit 2.

1 Unclassified Tax Claims: Unclassified Allowed Tax Claims entitled to priority
2 under Code §507(a)(7) will be paid in cash in quarterly installments commencing on the next
3 quarterly payment date after the Effective Date sufficient to pay such Claims with interest in full
4 over a period not exceeding six years after the date of assessment. Unless otherwise agreed by
5 the Reorganized Debtor and the claim holder, deferred payment on account of each such priority
6 tax claim shall be made in equal quarterly installments commencing on the last day of the first full
7 calendar quarter after the Effective Date. Such monthly installments shall include interest at the
8 rates regularly prescribed by the taxing authorities.

9 **MEANS FOR IMPLEMENTING THE PLAN**

10 The funds to implement the Plan will come from Debtor's business operations.

11 Debtor's Payment Feasibility Analysis. As set forth above, the funds necessary to
12 implement the Plan will be derived from Debtor's on-going business operations. Exhibit 1 to this
13 Disclosure Statement is a historical summary of Debtor's business operations for calendar year
14 2008, which Debtor believes to be representative of its current and on-going operations. Exhibit
15 2 to this Disclosure Statement is a projection of Debtor's expected business operations for
16 calendar years 2009, 2010 and 2011 – including anticipated payment schedules. Based on the
17 foregoing analysis, Debtor believes that it will make all anticipated creditor payments.

18 Officers/Shareholders. On the Effective Date, all outstanding Telepath stock shares
19 will be cancelled; new Telepath stock will be issued and 1,200,000 shares will be tendered to Les
20 Ettinger as partial resolution of his Class 1a claim. Aaron Ettinger will continue to manage day-
21 to-day operations at his present annual compensation structure, projected in Exhibit 2.

22 Payment Mechanism. Debtor or its counsel, at Debtor's election, will act as the
23 disbursing agent under this Plan, without bond. The funds to be distributed under the Plan shall

1 be under management and control of the disbursing agent. At each of the anticipated funds
2 distribution events, the disbursing agent shall calculate the distribution due to the holders of
3 allowed claims, shall round all amounts for distributions to the nearest whole dollar amount, and
4 shall forward such funds distributions to the last known address of claimant. Unclaimed property
5 will be placed in the disbursing agent's separate blocked account for benefit of the holders of
6 allowed claims entitled thereto under the terms of the Plan. Unclaimed property shall be held
7 solely for the benefit of the holders of allowed claims that have failed to claim such property.
8 Upon presentation of proper proof by a claimant of entitlement to unclaimed property, unclaimed
9 property due to the claimant shall be released and paid to such claimant. Notwithstanding the
10 foregoing, six months after a distribution becomes unclaimed property, claimants shall cease to be
11 entitled to unclaimed property in which they previously had an interest and such unclaimed
12 property shall become Debtor's property.

13 On the Effective Date, all property of the estate shall vest in Debtor pursuant to Code
14 sec. 1141(b), provided that the vesting of said property shall be without prejudice and shall not
15 act as a bar to a post-Confirmation motion to convert this case to one under Chapter 7 by the
16 United States Trustee or any other party in interest upon appropriate grounds, and upon granting
17 of such motion, the Plan shall terminate and the Chapter 7 estate shall consist of all remaining
18 property of the Chapter 11 estate not already administered. Such remaining property shall be
19 administered by the Chapter 7 trustee as prescribed in Chapter 7 of the Bankruptcy Code. Debtor
20 reserves all rights to oppose any such motion.

21 Except as provided in the Confirmation Order, on the Effective Date, Debtor will be
22 vested with all of the property of the Estate free and clear of all claims, liens, charges and other
23 interests of creditors arising prior to the Petition date, and will continue to conduct its affairs and

1 may obtain credit, incur debt, grant security interests and liens, and otherwise acquire and dispose
2 of assets. Debtor shall be free of any restriction imposed by the Bankruptcy Court, the
3 Bankruptcy Code, the Bankruptcy Rules or the Local Rules, other than the obligations set forth in
4 this Plan and any post-Confirmation pre-Final Decree reporting required by the U. S. Trustee.

5 **TAX IMPLICATIONS OF THE PLAN**

6 The tax implications of the transactions described under this Plan are set forth below.

7 This discussion is for informational purposes only, however, and does not represent an opinion of
8 counsel; further, due to lack of applicable legal precedent, the possibility of changes in the law and
9 differences in the nature of individual creditors' claims and methods of accounting, the tax
10 consequences described herein are subject to significant uncertainties. *EACH HOLDER OF A*
11 *CLAIM OR INTEREST IS STRONGLY URGED TO CONSULT WITH HIS OR HER OWN TAX*
12 *ADVISOR WITH REGARD TO THE TAX CONSEQUENCES OF THE PLAN.*

13 Under the Internal Revenue Code of 1986 (the "Tax Code"), a taxpayer generally must
14 include in gross income the amount of any discharge of indebtedness income realized during the
15 taxable year, except to the extent payment of such indebtedness would have resulted in a tax
16 deduction. Tax Code §108 provides however that when a discharge of indebtedness occurs in a
17 case under the Bankruptcy Code, gross income does not include any amount that would otherwise
18 be included by reason of the discharge of indebtedness. Instead, a taxpayer is required to reduce
19 certain end-of-year tax attributes (e.g., net operating loss) for federal income tax purposes by the
20 amount of discharge of indebtedness income it is allowed to exclude.

21 With respect to the anticipated income tax consequences for the debtors under the
22 Plan, holders of non-classified claims and holders of priority wage claims (if any) generally will be
23 paid on the Effective Date or subsequently upon their election. The allowed amount (if any) of

1 secured claimants' secured claims will be paid upon liquidation of their underlying collateral.
2 Claims that are paid in full should not result in discharge of indebtedness income. In contrast,
3 satisfaction of the unsecured claims may or may not result in a discharge of indebtedness.
4 Because the discharge will occur pursuant to the Plan, Debtors will not be required to include
5 discharge of indebtedness income in their taxable income; however, any tax attributes such as net
6 operating losses will be reduced by the excess, if any, of the amount of the discharge of
7 indebtedness over the fair market value of other property transferred in satisfaction of such
8 claims. As of the date of this Disclosure Statement, Debtor has been unable to determine the
9 amount of any allowable accrued net operating losses.

10 With respect to income tax consequences for individual creditors under the Plan, such
11 consequences will depend upon, among other things, consideration to be received by the creditor,
12 whether the creditor reports income using the accrual or cash method, and on whether the
13 creditor has taken a bad debt or worthless security deduction with respect to its claim. Holders of
14 unsecured claims may not ultimately be completely satisfied under the Plan and may therefore
15 recognize gain or loss equal to the difference between the ultimate sum of payments received and
16 the adjusted tax basis of their underlying claim(s). The character of any gain or loss as capital or
17 ordinary gain or loss will depend upon a number of factors; each creditor recognizing gain or loss
18 pursuant to the Plan should consult his or her tax advisor as to applicability of these factors to its
19 situation. Creditors will recognize ordinary income to the extent that they receive any cash or
20 property that is attributable to accrued but unpaid interest that has not already been included for
21 federal income tax purposes in such creditor's taxable income. A creditor whose claim includes
22 accrued interest and who receives consideration which is less than the amount of its claim must
23 allocate such consideration between principal and interest for income tax purposes. In the event

1 that the amount of cash and other property attributable to interest on a creditor's claim is less than
2 the amount previously included as interest on the claim in the creditor's federal taxable income,
3 the unpaid interest may be deducted, generally as a loss or as an adjustment to a reserve for bad
4 debts. Since the Plan provides for principal-only reduction, no interest income should accrue to
5 creditors under the Plan and Debtor should not be required to withhold any amounts otherwise
6 required by law to be withheld from payments to certain claimants nor should any claimants be
7 required to provide mandated tax information to Debtor as a condition of receiving distributions
8 under the Plan. With respect to all distributions under the Plan, Debtor will comply with all
9 applicable reporting requirements under the Tax Code.

10 **THE "BEST INTEREST" TEST AND THE LIQUIDATION ANALYSIS**

11 Notwithstanding acceptance of the Plan by the requisite statutory majorities, in order to
12 confirm the Plan the Bankruptcy Court must independently determine that the Plan is in the best
13 interests of all impaired classes of Claims and Interests. The "best interest" test requires that the
14 Plan provide to each member of each impaired Class a recovery that has a present value of at least
15 equal to the present value of the distribution which such a member would receive if the debtors'
16 assets were liquidated under Chapter 7 of the Bankruptcy Code.

17 In performing this analysis, the Bankruptcy Court must first determine the dollar
18 amount that would be generated from liquidation of Debtor's assets, add this amount to cash held
19 by Debtors, then deduct the costs of liquidation. Under Chapter 7, liquidation costs would likely
20 include the fees for a trustee, as well as those of counsel and other professionals retained by the
21 trustee, and selling expenses. These claims would have to be paid in full before any payment to
22 unsecured creditors. In addition, any unpaid obligations incurred by Debtor during its Chapter 11
23 case would have to be paid before any payment to unsecured creditors.

1 Debtor believes that the net proceeds of liquidation of its assets would be substantially
2 less than the amounts to be paid under this Plan.

3 **EFFECT OF CONFIRMATION**

4 Upon Confirmation, all property of the Estate, including all causes of action, will revert
5 in Debtor free of all Claims and Interests of creditors except for obligations that are created or
6 preserved under the Plan and that are secured by assets of the Estate. Except as expressly limited
7 in this Plan, all Debtor's claims, defenses and causes of action may be pursued after Confirmation.

8 **RETENTION OF JURISDICTION**

9 After Confirmation, the Plan provides that the Bankruptcy Court retains jurisdiction to
10 enforce the provisions, purposes, and intent of the Plan including matters that relate to: (1) any
11 allowance, disallowance or settlement of claims and objections thereto; (2) any assumption,
12 assignment or rejection of any executory contract or unexpired lease; (3) any rights, title or
13 interests of Debtors or their Estate in any property; (4) any right, power, action or duty of
14 Debtors or any Committee under this Plan; (5) any determination or estimation necessary or
15 appropriate under Code §505; (6) any requests for payment of claims entitled to priority under
16 Code §505(a); (7) resolution of controversies and disputes arising out of interpretation of this
17 Plan; (8) implementation of the provisions of this Plan; (9) modification of the Plan pursuant to
18 Code §1127; (10) adjudication of any causes of action, including avoiding power actions brought
19 by Debtors; (11) such other matters as may be provided under the Bankruptcy Code, the Plan, the
20 Confirmation Order, or other applicable law; and (12) entry of a Final Decree closing this case.
21 In addition, Debtors will file post-Confirmation reports with the Court in such format as may be
22 acceptable to the Court, and will pay quarterly U. S. Trustee fees until entry of a Final Decree.

23 A quarterly fee for the Estate will be paid by Debtor to the United States Trustee for

1 each quarter (including any fraction thereof) until this case is converted, dismissed or closed
2 pursuant to a final decree, pursuant to 11 U.S.C. sec. 1930(a)(6).

3 Not later than 30 days after the end of each calendar quarter which ends after the
4 Effective Date, Debtor shall file and serve upon the United States Trustee a quarterly post-
5 Confirmation status report in substantially the form provided by the Office of the United States
6 Trustee. Further reports shall be filed 30 days after the end of every calendar quarter thereafter
7 until entry of a final decree, unless otherwise ordered by the Court.

8 **DISCLAIMER**

9 *THE ONLY REPRESENTATIONS AUTHORIZED BY DEBTOR CONCERNING THE*
10 *VALUE OF ASSETS, THE EXTENT OF LIABILITIES OR ANY OTHER FACTS MATERIAL TO*
11 *DEBTOR'S PLAN ARE THOSE REPRESENTATIONS CONTAINED IN THIS DISCLOSURE*
12 *STATEMENT. ALL STATEMENTS AND REPRESENTATIONS IN THIS DISCLOSURE*
13 *STATEMENT, INCLUDING THOSE RELATING TO FINANCIAL, BUSINESS AND*
14 *ACCOUNTING DATA, ARE DRAWN FROM DEBTOR'S BOOKS AND RECORDS AND,*
15 *EXCEPT AS OTHERWISE SPECIFIED, IS UNAUDITED. DEBTOR BELIEVES THAT SUCH*
16 *INFORMATION IS CORRECT AND FAIRLY PRESENTED, BUT CANNOT WARRANT THAT*
17 *THE INFORMATION HEREIN IS ENTIRELY FREE FROM INACCURACY.*

18 DATED: February 18, 2009

TELEPATH CORPORATION

19
20 By /s/ Aaron Ettinger
Aaron Ettinger, President

Exhibit 1

	2009											
	Actuals											
	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08
TOTAL SALES/REVENUE	342,721	410,213	305,858	252,572	375,458	325,446	386,644	455,270	340,824	383,768	300,000	340,000
Cost of Goods Sold Percentage	0.54	0.44	0.33	0.42	0.44	0.67	0.33	0.63	0.54	0.24	0.48	0.48
TOTAL COST OF GOODS SOLD	214,246	181,875	101,828	106,718	165,163	216,737	128,960	289,464	184,205	91,041	144,000	183,000
Operating Expenses	124,889	76,581	96,863	94,932	108,067	87,773	134,769	104,629	108,023	116,605	88,000	100,000
Salaries	250	987	683	702	871	737	742	960	787	1,500	745	745
Payroll Fees	14,471	20,768	669	13,035	12,341	11,866	10,140	13,089	10,507	7,394	13,000	10,000
Insurance -	15,242	7,658	8,417	7,600	6,773	7,346	10,569	7,466	7,207	7,559	7,040	8,000
Payroll Tax	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500
Rent Expense	987	1,018	2,560	749	802	1,018	1,238	1,198	1,291	1,200	1,200	1,200
Utilities	-	-	401	-	-	-	-	-	-	-	-	-
Security	290	300	425	450	644	688	648	813	775	390	540	540
Janitorial & Other Contract Services	401	401	450	450	-	-	-	-	-	-	-	-
Other Occupancy Cost	538	927	2,717	158	545	308	1,161	568	-	5,385	1,000	1,000
Advertising	2,815	3,964	2,639	2,651	2,554	7,341	4,688	2,815	4,919	3,661	3,600	3,500
Telephone Expense	-	-	-	-	4,900	-	-	-	-	-	-	-
Legal Fees	5,177	4,364	4,122	2,509	2,349	5,243	4,920	6,808	2,828	4,786	4,000	4,000
Accounting Fees	-	-	-	-	1,332	-	-	-	-	-	-	-
Other Consulting Fees	764	752	309	495	196	387	398	330	166	390	400	400
Office Supplies	926	926	925	925	925	925	2,360	730	730	730	730	730
Depreciation Expense	3,603	3,700	315	3,007	805	767	338	755	337	1,774	500	800
Travel & Entertainment	4,597	662	1,116	771	1,419	1,116	568	910	876	3,287	1,000	1,000
Credit Card And Other Service Charges	439	439	573	133	1,277	20	1,338	18	168	1,232	575	575
Dues & Subscriptions	163	2,494	2,457	1,287	675	-	363	200	-	416	600	600
Postage / Shipping Expenses	1,719	1,586	878	1,287	786	1,527	124	124	124	1,905	500	500
Taxes Property	3,054	2,678	1,202	237	2,262	2,286	10,842	2,514	1,516	1,039	1,500	1,500
Other Business Taxes & Fees	-	6,581	-	3	-	-	48	-	85	99	-	-
Repairs & Maintenance	2,034	5,340	411	3,044	4,323	7,687	6,349	5,851	5,010	9,819	4,000	4,000
Bad Debts	571	553	720	18	627	984	564	613	729	1,438	700	700
Vehicle Expense	-	-	-	-	-	-	-	-	-	-	-	-
Laundry & Linen	-	-	-	-	-	-	-	-	-	-	-	-
State Income Tax	-	-	-	-	-	-	-	-	-	-	-	-
Interest Expense	-	-	2,278	51	-	-	-	-	-	-	-	-
Other Expense	3,383	381	3,755	5,750	-	574	523	69	97	230	300	300
TOTAL OPERATING EXPENSES	192,873	149,594	140,934	146,849	160,970	145,103	199,190	157,500	152,653	178,361	136,330	146,590
TOTAL COST OF GOODS SOLD/EXPENSES	407,119	331,469	242,762	253,568	326,133	361,840	328,150	446,964	336,858	269,402	280,330	308,590
TOTAL NET INCOME	(64,398)	78,744	63,097	(995)	49,325	(36,394)	58,494	9,307	3,966	114,366	19,670	30,410
Additional Payments												
Sinross fee application (to be approved)												
UST Fees												
Etlinger Chapter 11 Loan												
Etlinger Rent Pre/Post												
Logan fee application (to be approved)												
Miller Norton fee application (to be approved)												
Prepetition General Unsecured claims												
Prepetition General Unsecured Administrative Claims												

Exhibit 2

	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09
TOTAL SALES/REVENUE	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000
Cost of Goods Sold Percentage	0.48	0.48	0.48	0.48	0.48	0.48	0.48	0.48	0.48	0.48	0.48	0.48
TOTAL COST OF GOODS SOLD	144,000	144,000	144,000	144,000	144,000	144,000	144,000	144,000	144,000	144,000	144,000	144,000
Operating Expenses	105,000	105,000	105,000	105,000	105,000	105,000	105,000	105,000	105,000	105,000	105,000	105,000
Salaries	745	745	745	745	745	745	745	745	745	745	745	745
Payroll Fees	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Insurance -	8,400	8,400	8,400	8,400	8,400	8,400	8,400	8,400	8,400	8,400	8,400	8,400
Payroll Tax	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500
Rent Expense	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100
Utilities	540	540	540	540	540	540	540	540	540	540	540	540
Security	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Janitorial & Other Contract Services	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500
Other Occupancy Cost	3,000	2,000	2,000	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Advertising	400	400	400	400	400	400	400	400	400	400	400	400
Telephone Expense	730	730	730	730	730	730	730	730	730	730	730	730
Legal Fees	800	800	800	800	800	800	800	800	800	800	800	800
Accounting Fees	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Other Consulting Fees	575	575	575	575	575	575	575	575	575	575	575	575
Office Supplies	600	600	600	600	600	600	600	600	600	600	600	600
Depreciation Expense	500	500	500	500	500	500	500	500	500	500	500	500
Travel & Entertainment	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Credit Card And Other Service Charges	575	575	575	575	575	575	575	575	575	575	575	575
Dues & Subscriptions	600	600	600	600	600	600	600	600	600	600	600	600
Postage / Shipping Expenses	500	500	500	500	500	500	500	500	500	500	500	500
Taxes Property	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Other Business Taxes & Fees	4,000	4,000	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Repairs & Maintenance	550	550	550	550	550	550	550	550	550	550	550	550
Bad Debts	-	-	-	-	-	-	-	-	-	-	-	-
Vehicle Expense	-	-	-	-	-	-	-	-	-	-	-	-
Laundry & Linen	-	-	-	-	-	-	-	-	-	-	-	-
State Income Tax	-	-	-	-	-	-	-	-	-	-	-	-
Interest Expense	-	-	-	-	-	-	-	-	-	-	-	-
Other Expense	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL OPERATING EXPENSES	150,340	149,340	146,840	146,340	146,340	146,340	146,340	146,340	146,340	147,840	146,340	146,340
TOTAL COST OF GOODS SOLD/EXPENSES	294,340	293,340	290,840	290,340	290,340	290,340	290,340	290,340	290,340	291,840	290,340	290,340
TOTAL NET INCOME	5,660	6,660	9,160	9,660	9,660	9,660	9,660	9,660	9,660	8,160	9,660	9,660
Additional Payments	(5,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,500)	(3,000)	(1,500)
Stress fee application (to be approved)												
UST Fees												
Ellinger Chapter 11 Loan												
Ellinger Rent Pre/Post												
Logan fee application (to be approved)												
Miller Morton fee application (to be approved)												
Prepetition General Unsecured claims												
Prepetition General Unsecured Administrative Claims												
	860	237	180	1,660	1,660	1,660	1,660	1,660	1,660	1,660	1,660	2,660

	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10
TOTAL SALES/REVENUE	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000
Cost of Goods Sold Percentage	0.48	0.48	0.48	0.48	0.48	0.48	0.48	0.48	0.48	0.48	0.48	0.48
TOTAL COST OF GOODS SOLD	144,000	144,000	144,000	144,000	144,000	144,000	144,000	144,000	144,000	144,000	144,000	144,000
Operating Expenses	105,000	105,000	105,000	105,000	105,000	105,000	105,000	105,000	105,000	105,000	105,000	105,000
Salaries	745	745	745	745	745	745	745	745	745	745	745	745
Payroll Fees	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Insurance -	8,400	8,400	8,400	8,400	8,400	8,400	8,400	8,400	8,400	8,400	8,400	8,400
Payroll Tax	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500
Rent Expense	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100
Utilities	-	-	-	-	-	-	-	-	-	-	-	-
Security	540	540	540	540	540	540	540	540	540	540	540	540
Janitorial & Other Contract Services	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Other Occupancy Cost	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Advertising	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Telephone Expense	400	400	400	400	400	400	400	400	400	400	400	400
Legal Fees	730	730	730	730	730	730	730	730	730	730	730	730
Accounting Fees	800	800	800	800	800	800	800	800	800	800	800	800
Other Consulting Fees	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300
Office Supplies	575	575	575	575	575	575	575	575	575	575	575	575
Depreciation Expense	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Travel & Entertainment	500	500	500	500	500	500	500	500	500	500	500	500
Credit Card And Other Service Charges	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Dues & Subscriptions	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Postage / Shipping Expenses	400	400	400	400	400	400	400	400	400	400	400	400
Taxes Property	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Other Business Taxes & Fees	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Repairs & Maintenance	550	550	550	550	550	550	550	550	550	550	550	550
Bad Debts	-	-	-	-	-	-	-	-	-	-	-	-
Vehicle Expense	-	-	-	-	-	-	-	-	-	-	-	-
Laundry & Linen	-	-	-	-	-	-	-	-	-	-	-	-
State Income Tax	-	-	-	-	-	-	-	-	-	-	-	-
Interest Expense	-	-	-	-	-	-	-	-	-	-	-	-
Other Expense	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL OPERATING EXPENSES	147,540	147,540	147,540	147,540	147,540	147,540	147,540	147,540	147,540	147,540	147,540	147,540
TOTAL COST OF GOODS SOLD/EXPENSES	291,540	291,540	291,540	291,540	291,540	291,540	291,540	291,540	291,540	291,540	291,540	291,540
TOTAL NET INCOME	8,460	8,460	8,460	8,460	8,460	8,460	8,460	8,460	8,460	8,460	8,460	8,460
Additional Payments	-	-	-	-	-	-	-	-	-	-	-	-
Stress fee application (to be approved)	-	-	-	-	-	-	-	-	-	-	-	-
UST Fees	-	-	-	-	-	-	-	-	-	-	-	-
Eltinger Chapter 11 Loan	-	-	-	-	-	-	-	-	-	-	-	-
Eltinger Rent Pre/Post	-	-	-	-	-	-	-	-	-	-	-	-
Logan fee application (to be approved)	-	-	-	-	-	-	-	-	-	-	-	-
Miller Morfon fee application (to be approved)	-	-	-	-	-	-	-	-	-	-	-	-
Prepetition General Unsecured claims	-	-	-	-	-	-	-	-	-	-	-	-
Prepetition General Unsecured Administrative Claims	-	-	-	-	-	-	-	-	-	-	-	-

	2011											
	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11
TOTAL SALES/REVENUE	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000
Cost of Goods Sold Percentage	0.48	0.48	0.48	0.48	0.48	0.48	0.48	0.48	0.48	0.48	0.48	0.48
TOTAL COST OF GOODS SOLD	144,000	144,000	144,000	144,000	144,000	144,000	144,000	144,000	144,000	144,000	144,000	144,000
Operating Expenses	105,000	105,000	105,000	105,000	105,000	105,000	105,000	105,000	105,000	105,000	105,000	105,000
Salaries	745	745	745	745	745	745	745	745	745	745	745	745
Payroll Fees	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Insurance -	8,400	8,400	8,400	8,400	8,400	8,400	8,400	8,400	8,400	8,400	8,400	8,400
Payroll Tax	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500
Rent Expense	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100
Utilities	-	-	-	-	-	-	-	-	-	-	-	-
Security	540	540	540	540	540	540	540	540	540	540	540	540
Janitorial & Other Contract Services	-	-	-	-	-	-	-	-	-	-	-	-
Other Occupancy Cost	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Advertising	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Telephone Expense	-	-	-	-	-	-	-	-	-	-	-	-
Legal Fees	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Accounting Fees	-	-	-	-	-	-	-	-	-	-	-	-
Other Consulting Fees	400	400	400	400	400	400	400	400	400	400	400	400
Office Supplies	730	730	730	730	730	730	730	730	730	730	730	730
Depreciation Expense	800	800	800	800	800	800	800	800	800	800	800	800
Travel & Entertainment	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300
Credit Card And Other Service Charges	575	575	575	575	575	575	575	575	575	575	575	575
Dues & Subscriptions	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Postage / Shipping Expenses	500	500	500	500	500	500	500	500	500	500	500	500
Taxes Property	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Other Business Taxes & Fees	-	-	-	-	-	-	-	-	-	-	-	-
Repairs & Maintenance	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Barb Debts	550	550	550	550	550	550	550	550	550	550	550	550
Vehicle Expense	-	-	-	-	-	-	-	-	-	-	-	-
Laundry & Linen	-	-	-	-	-	-	-	-	-	-	-	-
State Income Tax	-	-	-	-	-	-	-	-	-	-	-	-
Interest Expense	-	-	-	-	-	-	-	-	-	-	-	-
Other Expense	400	400	400	400	400	400	400	400	400	400	400	400
TOTAL OPERATING EXPENSES	147,540	147,540	147,540	147,540	147,540	147,540	147,540	147,540	147,540	147,540	147,540	147,540
TOTAL COST OF GOODS SOLD/EXPENSES	291,540	291,540	291,540	291,540	291,540	291,540	291,540	291,540	291,540	291,540	291,540	291,540
TOTAL NET INCOME	8,460	8,460	8,460	8,460	8,460	8,360	8,360	8,360	8,360	8,360	8,360	8,360
Additional Payments												
Sirass fee application (to be approved)												
UST Fees	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)
Etlinger Chapter 11 Loan	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)
Etlinger Rent Pref/Past	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)
Logan fee application (to be approved)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)
Miller Morton fee application (to be approved)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)
Prepetition General Unsecured claims												
Prepetition General Unsecured Administrative Claims												
	2,960	2,960	2,960	2,960	2,960	3,110	3,360	3,360	3,360	3,360	3,360	3,360

Telepath Corporation
Forecast
Through 12/2009

	2012											
	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12
TOTAL SALES/REVENUE	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000
Cost of Goods Sold Percentage	0.48	0.48	0.48	0.48	0.48	0.48	0.48	0.48	0.48	0.48	0.48	0.48
TOTAL COST OF GOODS SOLD	144,000	144,000	144,000	144,000	144,000	144,000	144,000	144,000	144,000	144,000	144,000	144,000
Operating Expenses	105,000	105,000	105,000	105,000	105,000	105,000	105,000	105,000	105,000	105,000	105,000	105,000
Salaries	745	745	745	745	745	745	745	745	745	745	745	745
Payroll Fees	10,100	10,100	10,100	10,100	10,100	10,100	10,100	10,100	10,100	10,100	10,100	10,100
Insurance -	8,400	8,400	8,400	8,400	8,400	8,400	8,400	8,400	8,400	8,400	8,400	8,400
Payroll Tax	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500
Rent Expense	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100
Utilities	-	-	-	-	-	-	-	-	-	-	-	-
Security	540	540	540	540	540	540	540	540	540	540	540	540
Janitorial & Other Contract Services	-	-	-	-	-	-	-	-	-	-	-	-
Other Occupancy Cost	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Advertising	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Telephone Expense	-	-	-	-	-	-	-	-	-	-	-	-
Legal Fees	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Accounting Fees	-	-	-	-	-	-	-	-	-	-	-	-
Other Consulting Fees	400	400	400	400	400	400	400	400	400	400	400	400
Office Supplies	730	730	730	730	730	730	730	730	730	730	730	730
Depreciation Expense	800	800	800	800	800	800	800	800	800	800	800	800
Travel & Entertainment	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300
Credit Card And Other Service Charges	575	575	575	575	575	575	575	575	575	575	575	575
Dues & Subscriptions	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Postage / Shipping Expenses	500	500	500	500	500	500	500	500	500	500	500	500
Taxes Property	-	-	-	-	-	-	-	-	-	-	-	-
Other Business Taxes & Fees	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Repairs & Maintenance	-	-	-	-	-	-	-	-	-	-	-	-
Bad Debts	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Vehicle Expense	550	550	550	550	550	550	550	550	550	550	550	550
Laundry & Linen	-	-	-	-	-	-	-	-	-	-	-	-
State Income Tax	-	-	-	-	-	-	-	-	-	-	-	-
Interest Expense	400	400	400	400	400	400	400	400	400	400	400	400
Other Expense	147,140	147,140	147,140	147,140	147,140	147,140	147,140	147,140	147,140	147,140	147,140	147,140
TOTAL OPERATING EXPENSES	147,140	147,140	147,140	147,140	147,140	147,140	147,140	147,140	147,140	147,140	147,140	147,140
TOTAL COST OF GOODS SOLD/EXPENSES	291,140	291,140	291,140	291,140	291,140	291,140	291,140	291,140	291,140	291,140	291,140	291,140
TOTAL NET INCOME	8,860	8,860	8,860	8,860	8,860	8,860	8,860	8,860	8,860	8,860	8,860	8,860
Additional Payments												
Stress fee application (to be approved)												
UST Fees												
Ellinger Chapter 11 Loan												
Ellinger Rent Pre/Post												
Logan fee application (to be approved)												
Miller Morton fee application (to be approved)												
Prepetition General Unsecured claims												
Prepetition General Unsecured Administrative Claims												
Total												
	(105,500)	(105,500)	(105,500)	(105,500)	(105,500)	(105,500)	(105,500)	(105,500)	(105,500)	(105,500)	(105,500)	(105,500)
	(75,500)	(75,500)	(75,500)	(75,500)	(75,500)	(75,500)	(75,500)	(75,500)	(75,500)	(75,500)	(75,500)	(75,500)
	(61,000)	(61,000)	(61,000)	(61,000)	(61,000)	(61,000)	(61,000)	(61,000)	(61,000)	(61,000)	(61,000)	(61,000)
	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)
	(26,750)	(26,750)	(26,750)	(26,750)	(26,750)	(26,750)	(26,750)	(26,750)	(26,750)	(26,750)	(26,750)	(26,750)
	(3,423)	(3,423)	(3,423)	(3,423)	(3,423)	(3,423)	(3,423)	(3,423)	(3,423)	(3,423)	(3,423)	(3,423)

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Exhibit 3

ALTERNATIVE LIQUIDATION ANALYSIS

<u>Assets:</u>	<u>Liquidation Valuation</u>	<u>Plan <i>Effective</i> Valuation</u>
Accounts Receivable	\$ 670,000	
Equipment/Assets	20,000	
	-----	-----
Total Asset Value:	\$ <u>690,000</u>	\$ <u>730,000</u>
 Less Ch. 11 Admin. claims		
Logan	(250,000)	(250,000)
Siress	(20,000)	(20,000)
Accrued Rent	(165,000)	(165,000)
Post-Petition Loans	(178,000)	(178,000)
Less Ch. 7 Admin. expenses	(40,000)	n/a
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Net Available for Pre-Petition Claims	\$ <u>37,000</u>	\$ <u>117,000</u>
 Priority Debt (taxes) (filed)	17,000	17,000
Accrued Rent		
Post-Petition Loan		
	-----	-----
Net Available for Unsecured Creditors	\$ <u>20,000</u>	\$ <u>100,000</u>
 Unsecured Creditors (est)	\$ 2,170,000	\$ 400,000
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Estimated Unsecured Payment per Dollar Owed	\$ <u>0.01</u>	\$ <u>0.25</u>